

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Solon	County Kent
Fiscal Year End 3/31/07	Opinion Date August 1, 2007	Date Audit Report Submitted to State August 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

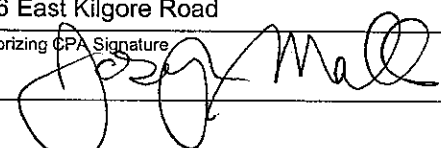
YES
☒

☒ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number 269.381.4970		
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 	Printed Name Joseph M Walls, CPA	License Number 1101013696	

Township of Solon
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Solon
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Solon's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$100 thousand (10 percent) as a result of this year's activities.
- Of the \$1.18 million total net assets reported, \$765 thousand (65 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$692 thousand, which represents 123 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Township of Solon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, library, etc.). Property taxes and state grants generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the Road Debt Fund, a major fund) or to show that it is properly using certain other revenues (like the Road Fund).

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Township of Solon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$1.18 million. Of this total, \$416 thousand is invested in capital assets. The remaining unrestricted net assets were \$765 thousand.

Condensed financial information
Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 780,869	\$ 662,898
Capital assets	<u>415,585</u>	<u>417,758</u>
Total assets	<u>1,196,454</u>	<u>1,080,656</u>
 Total liabilities	 <u>15,726</u>	 <u>448</u>
 Net assets:		
Invested in capital assets	415,585	417,758
Unrestricted	<u>765,143</u>	<u>662,450</u>
 Total net assets	 <u>\$ 1,180,728</u>	 <u>\$ 1,080,208</u>

Township of Solon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$663 thousand. Over 22 percent of the Township's revenues come from property taxes and 48 percent come from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$562 thousand. About 50 percent of the Township's costs relate to the provision of general governmental services. Public safety costs account for 29 percent. No other expense category exceeds 10 percent of the total.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 106,379	\$ 140,651
Operating grants and contributions	7,643	7,122
Capital grants and contributions	13,584	9,218
General revenues:		
Property taxes	148,869	148,912
State shared revenue	317,150	320,525
Franchise fees	35,228	31,470
Interest income	33,765	21,454
Total revenues	<u>662,618</u>	<u>679,352</u>
Expenses:		
Legislative	5,198	5,441
General government	281,725	288,450
Public safety	161,841	196,240
Public works	19,675	15,997
Economic development	42,944	70,361
Recreation and culture	50,715	38,110
Total expenses	<u>562,098</u>	<u>614,599</u>
Increase in net assets	<u>\$ 100,520</u>	<u>\$ 64,753</u>

Governmental activities. Governmental activities increased the Township's net assets by \$100 thousand compared to \$65 thousand last year. Changes in individual categories of net expenses or general revenues were generally not significant, although the gross expenses for public safety were approximately \$30 thousand less this year compared to 2006 to reflect decreased building inspections activity.

The cost of all governmental activities this year was about \$562 thousand. After subtracting the direct charges to those who directly benefited from the programs (\$106 thousand), and operating and capital grants (\$21 thousand), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$435 thousand, compared to \$456 thousand in 2006.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$757, an increase of \$94 thousand over the prior year. The total fund balances are unreserved, and are available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$692 thousand, which increased by \$81 thousand during the fiscal year compared to \$611 thousand in 2006. Total revenues and expenditures in the General Fund for 2007 were both approximately \$50 thousand less than 2006.

The Fire Saving fund balance increased by \$12,695, including interest earned and a \$10,000 budgeted transfer from the General Fund.

General Fund budgetary highlights

Budgeted expenditures were increased by \$63 thousand during the year to reflect anticipated cost increases for a Township-wide census, Township hall and cemetery maintenance, and other smaller cost increases. The difference between the actual and budgeted amounts (\$175 thousand) can be attributed to several expenditures either not taking place at budgeted levels (e.g., census, street maintenance, building inspections, capital outlay), or to actual expenditures being less than estimated for purchased goods and services. Approximately \$47 thousand of the variance occurred because a budgeted grant was not awarded to the Township.

Township of Solon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$416 thousand (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and vehicles. The increase in the Township's net investment in capital assets for the current fiscal year was \$22 thousand, comprised of contributed election equipment and purchased accounting software.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Economic condition and outlook

Small increases in property taxes are again expected in 2007, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2007. Certain costs, for example for public safety services, are likely to increase.

Contacting the Township's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Robert Ellick, Township Supervisor
Township of Solon
2305 19 Mile Road NE
Cedar Springs, Michigan 49319

supervisor @ solontwp.org
Phone: (616) 696-1718

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Solon, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Solon, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Solon, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Solon, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages i through vi, and the budgetary comparison information on pages 17 through 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

August 1, 2007

BASIC FINANCIAL STATEMENTS

Township of Solon
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 707,215
Receivables, net	65,169
Prepaid expenses	<u>8,485</u>
Total current assets	<u>780,869</u>
Noncurrent assets:	
Capital assets not being depreciated	100,301
Capital assets, net of accumulated depreciation	<u>315,284</u>
Total noncurrent assets	<u>415,585</u>
Total assets	<u>1,196,454</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>15,726</u>
NET ASSETS	
Invested in capital assets, net of related debt	415,585
Unrestricted	<u>765,143</u>
Total net assets	<u><u>\$ 1,180,728</u></u>

See notes to financial statements

Township of Solon
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs					
Governmental activities:					
Legislative	\$ 5,198	\$ -	\$ -	\$ -	\$ (5,198)
General government	281,725	58,420	-	13,584	(209,721)
Public safety	161,841	42,429	-	-	(119,412)
Public works	19,675	-	7,643	-	(12,032)
Economic development	42,944	5,530	-	-	(37,414)
Recreation and culture	50,715	-	-	-	(50,715)
Total governmental activities	<u>\$ 562,098</u>	<u>\$ 106,379</u>	<u>\$ 7,643</u>	<u>\$ 13,584</u>	<u>(434,492)</u>
General revenues:					
Taxes					148,869
State grants					317,150
Franchise fees					35,228
Investment income					<u>33,765</u>
Total general revenues					<u>535,012</u>
Change in net assets					100,520
Net assets - beginning					<u>1,080,208</u>
Net assets - ending					<u>\$ 1,180,728</u>

See notes to financial statements

Township of Solon
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fire Savings</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 643,327	\$ 63,888	\$ 707,215
Receivables, net	<u>65,169</u>	<u>-</u>	<u>65,169</u>
Total assets	<u>\$ 708,496</u>	<u>\$ 63,888</u>	<u>\$ 772,384</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 15,726	\$ -	\$ 15,726
Fund balance:			
Unreserved, undesignated	<u>692,770</u>	<u>63,888</u>	<u>756,658</u>
Total liabilities and fund balances	<u>\$ 708,496</u>	<u>\$ 63,888</u>	<u>\$ 772,384</u>
Total fund balances - total governmental funds			\$ 756,658
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			415,585
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.			<u>8,485</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,180,728</u>

See notes to the financial statements

Township of Solon**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds***Year ended March 31, 2007*

	<u>General</u>	<u>Fire Savings</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 189,914	\$ -	\$ 189,914
Licenses and permits	76,543	-	76,543
State grants	324,793	-	324,793
Charges for services	24,182	-	24,182
Interest	31,070	2,695	33,765
Other	6,025	-	6,025
	<u>652,527</u>	<u>2,695</u>	<u>655,222</u>
EXPENDITURES			
Legislative	5,198	-	5,198
General government	297,063	-	297,063
Public safety	138,161	-	138,161
Public works	18,915	-	18,915
Community and economic development	42,944	-	42,944
Culture and recreation	50,715	-	50,715
Capital outlay	8,018	-	8,018
	<u>561,014</u>	<u>-</u>	<u>561,014</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>91,513</u>	<u>2,695</u>	<u>94,208</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	10,000	10,000
Transfers out	(10,000)	-	(10,000)
	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	81,513	12,695	94,208
FUND BALANCES - BEGINNING	<u>611,257</u>	<u>51,193</u>	<u>662,450</u>
FUND BALANCES - ENDING	<u>\$ 692,770</u>	<u>\$ 63,888</u>	<u>\$ 756,658</u>

See notes to the financial statements

Township of Solon

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

Net change in fund balances - total governmental funds	\$ 94,208
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:

Assets acquired	7,923
Contributed assets	13,584
Provision for depreciation	(23,680)

Net increase in prepaid expenses	<u>8,485</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 100,520</u>
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See notes to the financial statements

Township of Solon
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2007

ASSETS

Cash	\$ 59,365
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LIABILITIES

Payables	\$ 59,365
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See notes to the financial statements

Township of Solon
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Solon, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Solon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Savings Fund accounts for the Township's accumulation of funds for the acquisition of fire capital assets.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Township of Solon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (Continued):

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Gains or losses as a result of trade-ins are adjusted through the cost of the new asset acquired. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Equipment	5 - 15 years
Vehicles	5 - 20 years
Roads	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Solon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variances.

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 707,215	\$ 59,365	\$ 766,580

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$766,580.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$538,641 of the Township's bank balances of \$749,896 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 13,099	\$ 52,070	\$ 65,169

All receivables are due within one year, and are considered fully collectible.

Township of Solon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 100,301	\$ -	\$ -	\$ 100,301
Capital assets being depreciated:				
Buildings and improvements	137,800	-	-	137,800
Equipment	132,496	21,507	-	154,003
Vehicles	381,740	-	-	381,740
Subtotal	652,036	21,507	-	673,543
Less accumulated depreciation for:				
Buildings and improvements	(100,842)	-	-	(100,842)
Equipment	(54,359)	(5,310)	-	(59,669)
Vehicles	(179,378)	(18,370)	-	(197,748)
Subtotal	(334,579)	(23,680)	-	(358,259)
Total capital assets being depreciated, net	317,457	(2,173)	-	315,284
Governmental activities capital assets, net	\$ 417,758	\$ (2,173)	\$ -	\$ 415,585

Depreciation expense was charged to the public safety function of the Township.

NOTE 6 - INTERFUND TRANSFERS:

The transfer from the General Fund to the Fire Savings Fund represents the budgeted annual addition to the amount being accumulated for future purchases of fire department capital assets.

Township of Solon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - DEFINED CONTRIBUTION PLANS:

The Township maintains two defined contribution retirement plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Elected officials are covered under one plan, to which the Township contributes a minimum of either \$500 or 15% of covered salaries. Township appointed officials and certain other employees are included under a second plan, to which the Township and employees both contribute 5% of covered salaries. The Township and employees made the required contributions of \$17,872. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Solon
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 186,500	\$ 186,500	\$ 189,914	\$ 3,414
Licenses and permits	95,525	95,525	76,543	(18,982)
Federal grants	50,000	50,000	-	(50,000)
State grants	329,596	329,596	324,793	(4,803)
Charges for services	37,500	37,500	24,182	(13,318)
Interest	10,000	10,000	31,070	21,070
Other	3,850	3,850	6,025	2,175
Total revenues	<u>712,971</u>	<u>712,971</u>	<u>652,527</u>	<u>(60,444)</u>
EXPENDITURES				
Legislative	<u>7,515</u>	<u>7,515</u>	<u>5,198</u>	<u>2,317</u>
General government:				
Supervisor	27,080	27,080	24,500	2,580
Election	9,780	9,780	8,188	1,592
Assessor	28,220	28,220	25,690	2,530
Clerk	44,264	51,714	47,988	3,726
Board of review	1,250	1,850	1,481	369
Treasurer	30,150	30,150	29,441	709
Hall and grounds	21,000	42,650	26,705	15,945
Cemetery	7,850	23,850	14,714	9,136
Other	110,300	138,400	118,356	20,044
Total general government	<u>279,894</u>	<u>353,694</u>	<u>297,063</u>	<u>56,631</u>
Public safety:				
Fire	106,500	106,500	99,045	7,455
Building inspections	65,120	65,120	39,116	26,004
Total public safety	<u>171,620</u>	<u>171,620</u>	<u>138,161</u>	<u>33,459</u>
Public works:				
Highways and streets	41,000	41,000	18,370	22,630
Street lighting	500	500	545	(45)
Total public works	<u>41,500</u>	<u>41,500</u>	<u>18,915</u>	<u>22,585</u>

Township of Solon

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>54,900</u>	<u>54,900</u>	<u>42,944</u>	<u>11,956</u>
Culture and recreation:				
Parks and recreation	3,000	3,000	3,000	-
Historical society	3,000	3,000	3,000	-
Library	<u>42,200</u>	<u>47,400</u>	<u>44,715</u>	<u>2,685</u>
Total recreation and culture	<u>48,200</u>	<u>53,400</u>	<u>50,715</u>	<u>2,685</u>
Capital outlay	<u>69,500</u>	<u>53,500</u>	<u>8,018</u>	<u>45,482</u>
Total expenditures	<u>673,129</u>	<u>736,129</u>	<u>561,014</u>	<u>175,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,842	(23,158)	91,513	114,671
OTHER FINANCING USES				
Transfer to Fire Savings Fund	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	29,842	(33,158)	81,513	114,671
FUND BALANCES - BEGINNING	<u>611,257</u>	<u>611,257</u>	<u>611,257</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 641,099</u>	<u>\$ 578,099</u>	<u>\$ 692,770</u>	<u>\$ 114,671</u>

Township of Solon
BUDGETARY COMPARISON SCHEDULE - Fire Savings Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	<u>-</u>	<u>-</u>	<u>2,695</u>	<u>2,695</u>
EXPENDITURES				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(10,000)</u>	<u>(10,000)</u>	<u>2,695</u>	<u>12,695</u>
OTHER FINANCING SOURCES				
Transfer from General Fund	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>12,695</u>	<u>12,695</u>
FUND BALANCES - BEGINNING	<u>51,193</u>	<u>51,193</u>	<u>51,193</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 51,193</u>	<u>\$ 51,193</u>	<u>\$ 63,888</u>	<u>\$ 12,695</u>

**Members of the Township Board
Township of Solon, Michigan**

In planning and performing our audit of the financial statements of the Township of Solon as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Solon's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Solon and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

August 1, 2007